



National Flood Insurance Program: Frequently Asked Questions

Repetitive Loss

Q: What is a repetitive loss property?

A: A Repetitive Loss (RL) property is any insurable building for which two or more claims of more than \$1,000 were paid by the National Flood Insurance Program (NFIP) within any rolling ten-year period, since 1978. A RL property may or may not be currently insured by the NFIP. Currently there are over 122,000 RL properties nationwide.

Q: Why is the NFIP concerned with RL structures?

A: Structures that flood frequently strain the National Flood Insurance Fund. In fact, the RL properties are the biggest draw on the Fund. FEMA has paid almost \$3.5 billion dollars in claims for RL properties. RL properties not only increase the NFIP's annual losses and the need for borrowing; but they drain funds needed to prepare for catastrophic events. Community leaders and residents are also concerned with the RL problem because residents' lives are disrupted and may be threatened by the continual flooding.

Q: What is FEMA's Repetitive Loss (RL) properties strategy?

A: The primary objective of the RL properties strategy is to eliminate or reduce the damage to property and the disruption to life caused by repeated flooding of the same properties.

Q: What has been done to help the RL problem?

A: Over the years, there have been a number of efforts aimed at addressing repetitive losses. Federal, State and local flood control and storm-water management projects have been aimed at reducing the risks. The FEMA post-disaster Hazard Mitigation Grant Program (HMGP) projects have mitigated nearly 3,000 RL properties. In 1994, the National Flood Insurance Reform Act authorized the Flood Mitigation Assistance (FMA) Program and a new insurance coverage called Increased Cost of Compliance, or "ICC." This coverage has been added to policies purchased or renewed since June 1, 1997.

The National Flood Insurance Reform Act of 2004 also recognized repetitive loss as a significant problem and defined severe repetitive loss as: "a single family property (consisting of 1 to 4 residences) that is covered under flood insurance by the NFIP and has incurred flood-related damage for which 4 or more separate claims payments have been paid under flood insurance coverage, with the amount of each claim payment exceeding \$5,000 and with cumulative amount of such claims payments exceeding \$20,000; or for which at least 2 separate claims payments have been made with the cumulative amount of such claims exceeding the reported value of the property. There are currently approximately 6,000 properties nationwide meeting the definition. In addition, the 2004 Act authorized a pilot program to mitigate severe repetitive loss properties. The administration of the pilot program is in the final planning stages. In the past five years, almost 28,000 properties nationwide have been bought out or elevated, several thousand of which were repetitive loss properties.

Q: What is the target group of repetitive loss properties?

A: The target group is a subset of approximately 11,000 RL properties. A Target Group Repetitive Loss (TGRL) property is a building currently insured under the NFIP that has met at least one of the following criteria since 1978, regardless of ownership:

- Four or more paid losses of more than \$1,000, provided the building meets the underlying RL property definition;
- Two or more NFIP claim payments that, in the aggregate, equal or exceed the current reported value of the insured property, provided the building meets the underlying RL property definition.

For the building to be officially defined as a TGRL property, the NFIP policy covering the building must be in force at the Special Direct Facility (SDF).

TGRL policies are afforded coverage, whether new or renewal, only through the NFIP SDF, a branch of the NFIP Servicing Agent. Write Your Own (WYO) companies began transferring renewals for identified properties in this group to the SDF on August 1, 2000.

Q: What is the Special Direct Facility (SDF)?

A: The SDF was established in August of 2000 in an effort to closely supervise the issuance of policies and the claims process for NFIP policies in force on TGRL properties. The facility is serviced by the NFIP direct servicing agent. The close supervision of these Target Group policies and claims contributes to attaining the primary objectives of the RL strategy.

Q: What happens to a property in the Target Group?

A: NFIP policies on Target Group properties are rated and adjusted in the same manner as non-Target Group policies but monitored at the SDF. The appropriate FEMA Regional Office can provide information about the property to State and local floodplain management officials. States or communities may sponsor projects to mitigate flood losses to these properties or may be able to provide technical assistance on mitigation options.

Q: How can a property be on the RL list when the property is not in a flood zone?

A: Historically, approximately 25 percent of claims paid under the NFIP are paid to properties insured outside of the Special Flood Hazard Area (SFHA). Since 1978 the NFIP has paid over \$2.8 billion in claims outside of the SFHA. This is due to a variety of reasons. Usually the area in question was not studied at the time the Flood Insurance Rate Map (FIRM) was prepared because the watershed is small or that flooding in the area is caused by storm water. Major new floodplain mapping projects are either underway or new projects expected to start each year of the flood map modernization initiative. We use many factors to establish flood study priorities. Repetitive loss experience is one such factor, especially where claims have been paid outside of the mapped regulatory floodplain (B, C, and X Zone properties).

Another issue is localized flooding due primarily to no or insufficient local drainage systems. Most of the time these areas are outside of the community's regulatory floodplain and thus are not subject to the zoning regulations and building standards that are in place in higher-risk areas.

If a property was in a SFHA and now is outside of the mapped floodplain, it's possible it has been mitigated from repetitive flooding and the record should be updated to reflect this mitigation. See the "Who is the point of contact to send information to get the RL list updated and what is the process?" question.

Q: Will the flood insurance premiums increase because a property is on the RL list?

A: Flood insurance premiums will not increase merely because a property is on the RL list. However, under the severe repetitive loss pilot program authorized by Flood Insurance Reform Act of 2004, if an offer to mitigate is made and the owner refuses the offer, the premium will increase in the manner authorized in the Act. The Act stipulates a consequence to owners who refuse an offer of mitigation on a severe repetitive loss property. If an offer is refused, each holder of a recorded interest on the property will be notified of such refusal and thereafter the chargeable flood insurance premium rate with respect to the property shall be the amount equal to 150 percent of the chargeable rate for the property at the time that the offer was made, as adjusted by any other premium adjustments otherwise applicable to the property. Increases may continue with each claim but will not exceed the actuarial rate for the property. The property owner will have a right to appeal and if successful in the appeal will not be subject to increased premiums. The appeal process and grounds for appeal will be explained to the property owner at the time the offer to mitigate is made. This stipulation of the Act will be enforced when the severe repetitive loss properties pilot program is initiated.

Q: Why is the RL list sometimes not current?

A: The repetitive loss list is a database and keeping it current while maintaining a high degree of accuracy is a task that is ongoing. Changes to the database are reported to the Bureau and Statistical Agent (BSA) for FEMA from a variety of sources, including insurance companies as they write policies and adjust claims; CRS communities as they review their annual RL list; and Federal, State, and private sector employees under contract to FEMA as they conduct field reconnaissance of RL structures. The data received must be reviewed, evaluated, and sometimes followed up on before updates are entered into the database. At any given time the data available on the BSA system is 30 to 90 days out of date because of the processes used to report, verify and update the data.

Q: How is a property removed from the Repetitive Loss or Repetitive Loss Target Group list?

A: When documentation is received that verifies acceptable mitigation of an RL structure the record for the structure contained in the national database is annotated to reflect the nature of the mitigation and the funding sources for the mitigation. The record is not "removed" from the list. The record becomes a mitigated RL property and, although it remains as part of the historical record, it is no longer considered a repetitive loss property. If the record were previously part of the target group list it will no longer be required to be insured at the SDF.

Any additional claims filed on the structure will cause the mitigation switch to be turned off and the property will revert to RL status and subject to further review pertaining to the cause of the most recently filed claim.



Q: What happens if a property owner agrees to undertake appropriate mitigation measures?

A: When the mitigation measures have been implemented, the property will be removed from the target group at the next renewal, and the policy then will be transferred from the SDF to the WYO Company that previously serviced the policy.

Q: What kinds of mitigation measures are appropriate for RL or RLTG structures?

A: Depending on individual circumstances, appropriate mitigation measures commonly include: elevating buildings above the level of the base flood, demolishing buildings, and removing buildings from the Special Flood Hazard Area (SFHA) as part of a flood control project. Sometimes, mitigation takes the form of a local drainage-improvement project that meets NFIP standards and removes a property or properties from RL or RLTG status.

Q: What are the common sources of funds used to mitigate RL structures?

A: Mitigation is the cornerstone of emergency management. It is the ongoing effort to lessen the impact disasters have on people and property. FEMA currently has three mitigation grant programs: the Hazards Mitigation Grant Program (HGMP), the Pre-Disaster Mitigation program (PDM), and the Flood Mitigation Assistance (FMA) program. Detailed information on these three programs and other related programs is available on the internet at <http://www.fema.gov/fima/mitgrant.shtm>.

Increased Cost of Compliance (ICC) funds for substantially damaged structures covered by flood insurance can also be used to mitigate RL structures. More information on ICC is available at <http://www.fema.gov/nfip/icc.shtm>.

Q: What is Increased Cost of Compliance (ICC) coverage?

A: Policyholders whose home or business is damaged by a flood may be required to meet certain building requirements set by the community to reduce future flood damage before repairing or rebuilding. ICC provides for the payment of claims up to \$30,000 toward the costs to comply with State or community floodplain management laws or ordinances after a flood event in which the structure has been declared substantially damaged in accordance with the locally enforceable regulation.

ICC can complement other resources by providing a portion of the non-Federal cost share for mitigation grants. Policyholders are allowed to assign the ICC claims payment over to the community so that ICC claims can be efficiently combined with mitigation grant funds for acquisition, relocation, or similar beneficial projects.

This coverage is aimed at substantial damage and improving enforcement of the substantial damage requirement. It underscores the regulatory requirement that substantially damaged properties be eliminated or modified to reduce their risk.

ICC claims are adjusted separately from flood damage claims. Policyholders can only file an ICC claim if their community determines that their home or business has been substantially damaged by a flood. This determination is made when they apply for a building permit to begin repairing their home or business.



If the community does determine that the home or business is substantially damaged, a local official will explain the floodplain management ordinance provisions that will have to be met. The NFIP also encourages policyholders to consult with the local official before making the final decision about which of the options to pursue.

Once the community has made this determination, policyholders must contact the insurance company or agent who wrote their flood policy to file an ICC claim. The insurer will assign a claims representative who will help process the ICC claim. The NFIP recommends getting estimates from contractors to take the necessary steps to elevate, relocate, floodproof, or demolish.

Q: What documentation does FEMA require concerning the Substantial Damage determination before paying the claim?

A: The NFIP does require documentation prior to paying a substantial damage claim under the ICC coverage of the Standard Flood Insurance Policy. Initially the claims adjuster completes a Preliminary Damage Assessment (PDA), and submits it to the NFIP. In turn it is sent to the FEMA Regional office. The Regional office forwards it to the involved community. At the same time that the adjuster is submitting the PDA, the community can make its own determination of substantial damage. It is the community's determination that makes an insured eligible for ICC coverage.